

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF HAWAII

In the Matter of

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Proposed Amendments to the Framework for
Integrated Resource Planning.

DOCKET NO. 2009-0108

PUBLIC UTILITIES
COMMISSION

2009 NOV 25 P 2:42

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**BLUE PLANET FOUNDATION'S RESPONSES TO THE
PARTIES' INFORMATION REQUESTS**

AND

CERTIFICATE OF SERVICE

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**BLUE PLANET FOUNDATION'S RESPONSES TO THE
PARTIES' INFORMATION REQUESTS**

Blue Planet Foundation ("Blue Planet"), by and through its attorneys Schlack Ito Lockwood Piper & Elkind, hereby responds to the Information Requests ("IRs") filed by the Counties of Hawai'i, Kauai and Maui on November 6, 2009; and by the Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc. (collectively, "HECO Companies"), the Hawaii Renewable Energy Alliance, and Life of the Land on November 10, 2009, as follows.

I. COUNTIES OF HAWAII, KAUAI, AND MAUI

COUNTIES-BLUE PLANET-IR-1

Blue Planet has advocated a Clean Energy Implementing Planning (CEIP) process utilized by independent system operators (ISO's) in parts of the United States. Can Blue Planet provide one or two ISO CEIP frameworks that it considers good models to examine? Specifically, CEIP frameworks that employ open and transparent and stakeholder-driven generation and grid-planning processes.

RESPONSE:

As explained in its Preliminary Statement of Position filed November 2, 2009 ("PSOP"), Blue Planet favors a framework and planning process which incorporate and are based upon successful elements of the planning process utilized by Independent System

Operators (“ISO”) working in conjunction with various stakeholders in other parts of the United States. These elements include independence, openness and transparency.¹

Independence. As the name indicates, ISOs typically plan and operate generation and transmission assets of independent power producers, electric utilities and power marketers. ISOs are organized as not-for-profit entities and are not legally or financially associated with utility or energy market participants. An ISO is unable to benefit financially from planning process outcomes and accordingly is focused on developing cost-effective and reliable grid plans to support achievement of energy policy requirements. The essential point is that the grid planning process is conducted by the ISO and not the utility.

Openness. The planning process (including all meetings) is open to all stakeholders. From the outset, all parties are given the opportunity to review all planning-related data and analyses. Websites are used extensively to ensure access to planning assumptions, models and study results. Comparable treatment, with development of a plan that treats similarly-situated stakeholders comparably in system planning, is sought after consideration of data and comments from all stakeholders.

Transparency. The basic criteria, assumptions and data underlying system planning are disclosed to all stakeholders. Written documentation is available to describe basic planning methodology, criteria, assumptions and processes. Sufficient information is made available to enable others to replicate the results of planning studies. Two-way exchange of information is facilitated and changes to plans, and the reasons for changes, are clearly communicated.

¹ See Federal Energy Regulatory Comm’n., Order No. 890 at 247-88 (FERC Docket Nos. RM05-25-000 and RM05-17-000) (Feb. 16, 2007).

An example of an independent, open, transparent and stakeholder-driven process may be found in the process employed by the North American Electric Reliability Corporation (“NERC”) to establish and maintain bulk power reliability standards. The NERC reliability standard setting process is open, transparent and utilizes significant stakeholder involvement to develop and modify electric reliability standards.² The process is subject to Federal Energy Regulatory Commission (“FERC”) oversight, and standards developed pursuant to the process are subject to FERC approval.

Other examples of independent, open, transparent and stakeholder-driven energy planning processes include the process employed in Texas by the Electric Reliability Council of Texas (ERCOT) to develop Competitive Renewable Energy Zones (CREZ),³ the process employed in California by the Renewable Energy Transmission Initiative (RETI) to identify renewable energy zones,⁴ and the process employed by the Michigan Public Service Commission’s Wind Energy Resource Zone Board to develop wind zones.⁵ The common themes in these state energy planning processes, as well as ISO and NERC processes, is that an entity other than the local utility manages the planning process, conducts planning studies, and maintains an open and transparent process with substantial stakeholder participation.

In Hawaii, at this time there is no ISO or similar independent entity to conduct the clean energy planning process. In addition, the HECO Companies are not required by a code of conduct, or similar FERC requirements that apply to other utilities in the United States, to ensure

² See NERC, “Reliability Standards Development Procedure Version 6.1 (June 7, 2007), *available at* <http://www.nerc.com/page.php?cid=2|247>.

³ See, e.g., ERCOT, “Analysis of Transmission Alternatives for Competitive Renewable Energy Zones in Texas,” *available at* http://www.ercot.com/news/presentations/2006/ATTCH_A_CREZ_Analysis_Report.pdf.

⁴ See, e.g., “Western Renewable Energy Zones – Phase 1 Report” dated June 2009, *available at* <http://www.energy.ca.gov/2009publications/DOE-1000-2009-011/DOE-1000-2009-011.PDF>

⁵ See, e.g., Public Sector Consultants, Inc., “Final Report of the Michigan Wind Energy Resource Zone Board” dated Oct. 15, 2009, *available at* http://www.dleg.state.mi.us/mpsc/renewables/windboard/werzb_final_report.pdf.

the grid planning function is independent or functionally separate from the utilities' generation function.

As Blue Planet suggested in its PSOP, an Independent Observer ("IO") may be necessary to ensure the framework and planning process are open, transparent, and fair for all stakeholders and affected parties. The IO could conduct the planning process with Commission oversight. Vertically integrated utilities are often required to maintain separate generation and transmission activities, and to comply with stringent standards of conduct that require the utilities' grid-related activities to be performed in a non-discriminatory, open and transparent manner.

In the absence of similar institutional arrangements and requirements for the HECO Companies, an IO can ensure that stakeholders are able to fully participate in and contribute toward the development of planning assumptions and scenarios, require the HECO Companies and other parties to fully evaluate credible alternative planning scenarios and assumptions, and properly and safely promote transparency with regard to planning assumptions and model outputs, including any that may be subject to protective orders. In addition, with transfer of the utilities' energy efficiency services to an independent third-party administrator, an IO may ensure energy efficiency programs are properly considered in the planning process. It is suggested that the IO should be selected by the Commission in the same manner as this third-party administrator, and that the IO report to the Commission.

II. HAWAIIAN ELECTRIC COMPANIES

HECO/Blue Planet-IR-1

Ref: NRRI Comments – III. Who Are the Appropriate Participants in a CESP Process.
On page 10, NRRI envisions many participants in the CESP process and states “With this diversity of participants, a neutral facilitator seems necessary.” If the HECO Companies were to propose in the CESP Framework that the CESP process would have a neutral facilitator (similar to the role of an Independent Observer under the Framework for Competitive Bidding) leading all Advisory Committee meetings, public hearings, and observing the utilities’ technical analyses, would that be an acceptable means for addressing the concerns over public participation and transparency in the CESP process?

RESPONSE:

As Blue Planet suggested in its PSOP, an Independent Observer (“IO”) may be necessary to ensure the framework and planning process are independent, open, transparent, and fair for all stakeholders. The IO could conduct the planning process with Commission oversight. A “neutral facilitator,” while capable of providing necessary facilitation, will lack sufficient authority to maintain the independence, openness and transparency of an ISO-like stakeholder-driven planning process. Blue Planet therefore believes a “neutral facilitator,” although a helpful suggestion, is unlikely to be an acceptable means to fully address public participation and transparency concerns in the framework and planning process.

Vertically integrated utilities are often required to maintain separate generation and transmission activities, and to comply with stringent standards of conduct that require the utilities’ grid-related activities to be performed in a non-discriminatory, open and transparent manner. In the absence of similar institutional arrangements and requirements for the HECO Companies, an IO can ensure that stakeholders are able to fully participate in and contribute toward the development of planning assumptions and scenarios, require the HECO Companies and other parties to fully evaluate credible alternative planning scenarios and assumptions, and properly and safely promote transparency with regard to planning assumptions and model

outputs, including any that may be subject to protective orders. In addition, with transfer of the utilities' energy efficiency services to an independent third-party administrator, an IO may ensure energy efficiency programs are properly considered in the planning process. It is suggested that the IO should be selected by the Commission in the same manner as this third-party administrator, and that the IO report to the Commission.

III. HAWAII RENEWABLE ENERGY ALLIANCE

HREA-IR-1

In its Preliminary Statement of Position ("PSOP"), HREA proposed a set of governing principles that were broken down into the three following categories: overall, resource selection and acquisition, and IRP process. These proposed principles are listed below without the explanatory text that was included in our PSOP, and edited for clarity:

- **Overall IRP Goals are to:**
 - Meet forecasted electrical energy demand (MW, MWHs) via demand- and supply-side resources over the IRP period.
 - Identify and meet state energy objectives, and comport with state and county environmental, health, and safety laws by formally adopting state and county plans.
 - Maintain and enhance electrical system reliability, safety and security to facilitate state energy objectives and policies.
- **Resource Acquisition and Operation to:**
 - Establish and maintain a "no regrets policy" for resource acquisition, e.g., energy efficiency, conservation, renewables and storage.
 - Phase out conventional fossil facilities.
 - Establish and maintain preferred acquisition methods, e.g., net metering, feed-in tariffs, competitive bidding and non-bid contracts.
 - Prioritize implementation of distribution generation over central generation.
 - Design, modify, and operate the utility system to maximize the use of clean energy resources.
 - Mitigate power outages after catastrophic events.
- **IRP Process will include:**
 - Ongoing, open, transparent, efficient and nimble.
 - Clear definition of roles, responsibilities and legal standing of all IRP participants.
 - A basic plan for a period of 20 years with an action plan of five or more years, annual reviews and flexible periods for major revisions every three to five years.
 - One plan for each island utility and an overall plan for the island chain.

- **Incorporation of appropriate analytical methodologies, such as discounted lifecycle analysis and clean energy scenario planning.**
- **Consideration of the plans' impacts upon the utility's consumers, the environment, local culture, community lifestyles, the State's economy, and society in general.**
- **All Parties' recovery of a portion up to all costs of their participation in IRP.**

That said, do the Parties support the governing principles as proposed above? Given that HREA is seeking to establish the level of support for each of the principles, please respond with detail as to:

- 1. Those principles that can be supported (with or without comments), and**
- 2. Those principles that cannot be supported (with comments).**

Finally, the Parties are asked to suggest additional principles, as appropriate, with supporting comments.

RESPONSE:

Blue Planet generally supports the three principles under the heading, "Overall IRP Goals are to:". With regard to the six principles under the heading, "Resource Acquisition and Operation to:", Blue Planet generally supports these principles except that it does not necessarily support maintenance of competitive bidding if, at a future date, the project size limit for feed-in tariff projects is increased above the current competitive bidding framework limit. It is also unclear at this time whether a principle prioritizing distributed generation over central generation is necessary. With regard to the seven principles under the heading, "IRP Process will include:", Blue Planet generally supports these principles, except that it reserves its position with regard to the third principle concerning the duration and time periods for the "basic plan" and "action plan."

IV. LIFE OF THE LAND

LOL-IR-1

Ref: most new generation resources have been developed by independent power producers. pgs 2-3. What is the basis of this statement? Is it in megawatts, megawatt-hours, number of installations over a 1 year, 4 year or 9 year period, or something else?

RESPONSE:

The statement that most new generation resources have been developed by independent power producers ("IPP") is based upon the relatively recent development of the following IPP projects: (i) AES Hawaii, (ii) H-Power, (iii) Kalaeloa Partners, L.P., and (iv) Chevron and Tesoro (cogeneration).

LOL-IR-2

Ref: Blue Planet favors the rubric "Clean Energy Implementation Planning" ("CEIP") to describe the framework and related implementation processes and activities. pg 5. Does Blue Planet endorse the Clean Energy Initiative?

Blue Planet endorses the Hawaii Clean Energy Initiative ("HCEI") insofar as it promotes the goal of 70% clean energy by 2030 and endorses the Energy Agreement insofar as it calls for Hawaii to "move more decisively and irreversibly away from imported fossil fuel for electricity and transportation and towards indigenously produced renewable energy[.]"⁶

RESPONSE:

LOL-IR-3

Ref: Other policy issues properly addressed by the CEIP Framework and processes include: ... (2) the potential role of imported biofuels pg 8. What role should biofuels play in Hawai'i's future? Are some biofuels better than others?

RESPONSE:

At this time, Blue Planet suggests the potential role of biofuels in Hawaii's energy future is unclear. It is noted that the Energy Agreement calls for Hawaii to "move more

⁶ *Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies* dated Oct. 20, 2008 at 1 ("Energy Agreement").

decisively and irreversibly away from imported fossil fuel for electricity and transportation and towards indigenously produced renewable energy[.]” Energy Agreement at 1 (emphasis added). The use of biofuels that are not “indigenously produced” would appear to be inconsistent with the Energy Agreement in that regard. In addition, it is Blue Planet’s understanding that, at this time, the use of biofuels in the HECO Companies’ existing fossil fuel generators has not been tested on a wide-scale basis. Until such testing occurs, the potentially significant costs and impacts on generating plant operations remain unknown.

DATED: Honolulu, Hawaii, November 25, 2009.



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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF HAWAII**

In the Matter of

DOCKET NO. 2008-0108

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Implementing a Decoupling Mechanism for
Hawaiian Electric Company, Inc., Hawaii
Electric Light Company, Inc., and Maui
Electric Company, Limited

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this date a copy of the foregoing document was
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